

1 SENATE BILL NO. 519
2 INTRODUCED BY B. MOLNAR

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING PROPERTY TAX LAWS, REVISING THE MAXIMUM
5 MILL LEVY THAT MAY BE IMPOSED BY A GOVERNMENTAL ENTITY; REMOVING THE INFLATION
6 ADJUSTMENT FOR THE MAXIMUM MILL LEVY; REVISING LAWS RELATED TO EMERGENCY LEVIES;
7 AMENDING SECTIONS 2-9-212, 10-3-405, 15-10-420, 15-10-425, 20-9-168, AND 20-15-326, MCA; AND
8 PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11
12 NEW SECTION. **Section 1. Funding of public safety -- purpose.** (1) The legislature finds that the
13 primary responsibility of a governmental entity is to fund public safety, including law enforcement, fire
14 protection, and emergency medical services.

15 (2) (a) Except as provided in subsection (2)(b), a governmental entity shall fund public safety using
16 a general or all-purpose levy and may not fund public safety with a levy voted under 15-10-425 for the purpose
17 of exceeding the maximum levy authorized in 15-10-420.

18 (b) Subsection (2)(a) does not apply if an emergency proclamation is issued under 10-3-402.

19
20 **Section 2.** Section 2-9-212, MCA, is amended to read:

21 **"2-9-212. Political subdivision tax levy to pay contributions.** (1) Subject to 15-10-420 and
22 subsection (2) of this section, a political subdivision, except for a school district, may levy an annual property
23 tax in the amount necessary to fund the contribution for insurance, deductible reserve fund, and self-insurance
24 reserve fund as authorized in this section and to pay the principal and interest on bonds or notes issued
25 pursuant to 2-9-211(5). For the purposes of this section, "political subdivision" includes a community college
26 district created prior to January 1, 2021.

27 (2) (a) If a political subdivision makes contributions for group benefits under 2-18-703, the amount
28 in excess of the base contribution as determined under 2-18-703(4)(c) for group benefits under 2-18-703 is not

1 subject to the mill levy calculation limitation provided for in 15-10-420. Levies implemented under this section
2 must be calculated separately from the mill levies calculated under 15-10-420 ~~and are not subject to the~~
3 ~~inflation factor described in 15-10-420(1)(a).~~

4 (i) Contributions for group benefits paid wholly or in part from user charges generated by
5 proprietary funds, as defined by generally accepted accounting principles, are not included in the amount
6 exempted from the mill levy calculation limitation provided for in 15-10-420.

7 (ii) If tax-billing software is capable, the county treasurer shall list separately the cumulative mill
8 levy or dollar amount on the tax notice sent to each taxpayer under 15-16-101(2). The amount must also be
9 reported to the department of administration pursuant to 7-6-4003. The mill levy must be described as the
10 permissive medical levy.

11 (b) Each year prior to implementing a levy under subsection (2)(a), after notice of the hearing given
12 under 7-1-2121 or 7-1-4127, a public hearing must be held regarding any proposed increases.

13 (c) A levy under this section in the previous year may not be included in the amount of property
14 taxes that a governmental entity is authorized to levy for the purposes of determining the amount that the
15 governmental entity may assess under the provisions of 15-10-420(1)(a). When a levy under this section
16 decreases or is no longer levied, the revenue may not be combined with the revenue determined in 15-10-
17 420(1)(a).

18 (3) (a) For the purposes of this section, "group benefits" means group hospitalization, health,
19 medical, surgical, life, and other similar and related group benefits provided to officers and employees of
20 political subdivisions, including flexible spending account benefits and payments in lieu of group benefits.

21 (b) The term does not include casualty insurance as defined in 33-1-206, marine insurance as
22 authorized in 33-1-209 and 33-1-221 through 33-1-229, property insurance as defined in 33-1-210, surety
23 insurance as defined in 33-1-211, and title insurance as defined in 33-1-212."
24

25 **Section 3.** Section 10-3-405, MCA, is amended to read:

26 **"10-3-405. Levying emergency tax -- disposition of surplus.** (1) The governing body of the city or
27 town or the governing body of the county, or both, shall estimate expenditures and levy an emergency millage
28 to cover the expenditures. The millage levied by the governing body of the city or town ~~shall~~ may not exceed 2

1 mills on the municipality's taxable valuation. The millage levied by the governing body of the county ~~shall~~may
2 not exceed 2 mills on the taxable valuation of the county outside the municipalities.

3 (2) ~~No~~An expenditure of revenue received from the millage ~~shall~~may not be made without
4 approval of the appropriate levying body.

5 (3) An additional levy or levies may be made by the appropriate levying body, providing that the
6 sum of the levies for emergencies as set forth in this section ~~shall~~may not exceed 2 mills in any one year.

7 Except as provided in subsection (4)(b), a levy provided for in this section terminates after the emergency
8 proclamation is lifted.

9 (4) ~~(a)~~All Except as provided in subsection (4)(b), all levies under this section may be passed only
10 by a unanimous vote of the appropriate body.

11 (b) A levy under this section may not remain in effect 2 years after its adoption except upon a vote
12 of the qualified electors. The election must be held in conjunction with a primary or general election and
13 requires 60% approval.

14 (5) Excess funds levied for an emergency must be subtracted in the next year from the maximum
15 amount that may be levied under 15-10-420.

16 ~~(5)(6)~~ Funds levied for an emergency and remaining when no further expenditures are necessary
17 ~~shall~~must remain in a separate emergency fund and ~~shall~~must be used only for expenditures arising from
18 future emergencies."

19
20 **Section 4.** Section 15-10-420, MCA, is amended to read:

21 **"15-10-420. Procedure for calculating levy.** (1) ~~(a) Subject~~Except as provided in 10-3-405(5) and
22 subject to the provisions of this section, a governmental entity that is authorized to impose mills may impose a
23 mill levy sufficient to generate the amount of property taxes actually assessed in the prior year ~~plus one-half of~~
24 ~~the average rate of inflation for the prior 3 years.~~ The maximum number of mills that a governmental entity may
25 impose is established by calculating the number of mills required to generate the amount of property tax
26 actually assessed in the governmental unit in the prior year based on the current year taxable value, less the
27 current year's newly taxable value, ~~plus one-half of the average rate of inflation for the prior 3 years.~~

28 (b) A governmental entity that does not impose the maximum number of mills authorized under

1 subsection (1)(a) may carry forward the authority to impose the number of mills equal to the difference between
 2 the actual number of mills imposed and the maximum number of mills authorized to be imposed. The mill
 3 authority carried forward may be imposed in a subsequent tax year.

4 ~~(c) For the purposes of subsection (1)(a), the department shall calculate one-half of the average~~
 5 ~~rate of inflation for the prior 3 years by using the consumer price index, U.S. city average, all urban consumers,~~
 6 ~~using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of~~
 7 ~~labor.~~

8 (2) (a) A governmental entity may apply the levy
 9 calculated pursuant to subsection (1)(a) plus any additional levies authorized by the voters, as provided in 15-
 10 10-425, to all property in the governmental unit, including newly taxable property.

11 (b) A governmental entity may not impose a mill levy that increases property tax collections by
 12 more than 2% of collections in the prior year when applied to all taxable property except upon a vote of the
 13 qualified electors. The election must be held in conjunction with a primary or general election and requires 60%
 14 approval.

15 (3) (a) For purposes of this section, newly taxable property includes:

- 16 (i) annexation of real property and improvements into a taxing unit;
- 17 (ii) construction, expansion, or remodeling of improvements;
- 18 (iii) transfer of property into a taxing unit;
- 19 (iv) subdivision of real property; and
- 20 (v) transfer of property from tax-exempt to taxable status.

21 (b) Newly taxable property does not include an increase in value:

22 ~~(i) that arises because of an increase in the incremental value within a tax increment financing district;~~

23 ~~or~~

24 ~~(ii) caused by the termination of an exemption that occurs due to the American Rescue Plan Act,~~

25 ~~Public Law 117-2, and section 14, Chapter 506, Laws of 2021.~~

26 (4) (a) For the purposes of subsection (1), the taxable value of newly taxable property includes the
 27 release of taxable value from the incremental taxable value of a tax increment financing district because of:

- 28 (i) a change in the boundary of a tax increment financing district;

1 (ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or

2 (iii) the termination of a tax increment financing district.

3 (b) If a tax increment financing district terminates prior to the certification of taxable values as
4 required in 15-10-202, the increment value is reported as newly taxable property in the year in which the tax
5 increment financing district terminates. If a tax increment financing district terminates after the certification of
6 taxable values as required in 15-10-202, the increment value is reported as newly taxable property in the
7 following tax year.

8 (c) For the purpose of subsection (3)(a)(ii), the value of newly taxable class four property that was
9 constructed, expanded, or remodeled property since the completion of the last reappraisal cycle is the current
10 year market value of that property less the previous year market value of that property.

11 (d) For the purpose of subsection (3)(a)(iv), the subdivision of real property includes the first sale
12 of real property that results in the property being taxable as class four property under 15-6-134 or as
13 nonqualified agricultural land as described in 15-6-133(1)(c).

14 (5) Subject to subsection (8), subsection (1)(a) does not apply to:

15 (a) school district levies established in Title 20; or

16 (b) a mill levy imposed for a newly created regional resource authority.

17 (6) For purposes of subsection (1)(a), taxes imposed do not include net or gross proceeds taxes
18 received under 15-6-131 and 15-6-132.

19 (7) In determining the maximum number of mills in subsection (1)(a), the governmental entity:

20 (a) may increase the number of mills to account for a decrease in reimbursements; and

21 (b) may not increase the number of mills to account for a loss of tax base because of legislative
22 action that is reimbursed under the provisions of 15-1-121(7).

23 (8) The department shall calculate, on a statewide basis, the number of mills to be imposed for
24 purposes of 15-10-109, 20-9-331, 20-9-333, 20-9-360, and 20-25-439. However, the number of mills calculated
25 by the department may not exceed the mill levy limits established in those sections. The mill calculation must
26 be established in tenths of mills. If the mill levy calculation does not result in an even tenth of a mill, then the
27 calculation must be rounded up to the nearest tenth of a mill.

28 (9) (a) The provisions of subsection (1) do not prevent or restrict:

- 1 (i) a judgment levy under 2-9-316, 7-6-4015, or 7-7-2202;
- 2 (ii) a levy to repay taxes paid under protest as provided in 15-1-402;
- 3 ~~(iii) an emergency levy authorized under 10-3-405, 20-9-168, or 20-15-326;~~
- 4 ~~(iv)(iii)~~ (iii) a levy for the support of a study commission under 7-3-184;
- 5 ~~(v)(iv)~~ (iv) a levy for the support of a newly established regional resource authority;
- 6 ~~(vi)(v)~~ (v) the portion that is the amount in excess of the base contribution of a governmental entity's
- 7 property tax levy for contributions for group benefits excluded under 2-9-212 or 2-18-703;
- 8 ~~(vii)(vi)~~ (vi) a levy for reimbursing a county for costs incurred in transferring property records to an
- 9 adjoining county under 7-2-2807 upon relocation of a county boundary;
- 10 ~~(viii)(vii)~~ (vii) a levy used to fund the sheriffs' retirement system under 19-7-404(2)(b); or
- 11 ~~(ix)(viii)~~ (viii) a governmental entity from levying mills for the support of an airport authority in existence prior
- 12 to May 7, 2019, regardless of the amount of the levy imposed for the support of the airport authority in the past.
- 13 The levy under this subsection ~~(9)(a)(ix)~~ (9)(a)(vii) is limited to the amount in the resolution creating the
- 14 authority.
- 15 (b) A levy authorized under subsection (9)(a) may not be included in the amount of property taxes
- 16 actually assessed in a subsequent year.
- 17 (10) A governmental entity may levy mills for the support of airports as authorized in 67-10-402, 67-
- 18 11-301, or 67-11-302 even though the governmental entity has not imposed a levy for the airport or the airport
- 19 authority in either of the previous 2 years and the airport or airport authority has not been appropriated
- 20 operating funds by a county or municipality during that time.
- 21 (11) The department may adopt rules to implement this section. The rules may include a method for
- 22 calculating the percentage of change in valuation for purposes of determining the elimination of property, new
- 23 improvements, or newly taxable value in a governmental unit. ~~(Subsection (3)(b)(ii) terminates December 31,~~
- 24 ~~2025--sec. 13(5), Ch. 506, L. 2021.)~~
- 25 (12) This section does not prevent a governmental entity from assessing fees on services and
- 26 infrastructure to accommodate growth."

27

28

Section 5. Section 15-10-425, MCA, is amended to read:

1 **"15-10-425. Mill levy election.** (1) A Except as provided in [section 1], a county, consolidated
2 government, incorporated city, incorporated town, school district, or other taxing entity may impose a new mill
3 levy, increase a mill levy that is required to be submitted to the electors, or exceed the mill levy limit provided
4 for in 15-10-420 by conducting an election as provided in this section.

5 (2) An election pursuant to this section must be held in accordance with Title 13, chapter 1, part 4
6 or 5, or Title 20 for school elections, whichever is appropriate to the taxing entity. The governing body shall
7 pass a resolution, shall amend its self-governing charter, or must receive a petition indicating an intent to
8 impose a new levy, increase a mill levy, or exceed the current statutory mill levy provided for in 15-10-420 on
9 the approval of a majority of the qualified electors voting in the election. The resolution, charter amendment, or
10 petition must include:

11 (a) the specific purpose for which the additional money will be used;

12 (b) either:

13 (i) the specific amount of money to be raised and the approximate number of mills to be imposed;

14 or

15 (ii) the specific number of mills to be imposed and the approximate amount of money to be raised;

16 and

17 (c) whether the levy is permanent or the durational limit on the levy.

18 (3) Notice of the election must be prepared by the governing body and given as provided in 13-1-
19 108. The form of the ballot must reflect the content of the resolution or charter amendment and must include a
20 statement of the impact of the election on a home valued at \$100,000 and a home valued at \$200,000 in the
21 district in terms of actual dollars in additional property taxes that would be imposed on residences with those
22 values if the mill levy were to pass. The ballot may also include a statement of the impact of the election on
23 homes of any other value in the district, if appropriate.

24 (4) If the majority voting on the question are in favor of the additional levy, the governing body is
25 authorized to impose the levy in either the amount or the number of mills specified in the resolution or charter
26 amendment.

27 (5) A governing body, as defined in 7-6-4002, may reduce an approved levy in any fiscal year
28 without losing the authority to impose in a subsequent fiscal year up to the maximum amount or number of mills

1 approved in the election. However, nothing in this subsection authorizes a governing body to impose more than
2 the approved levy in any fiscal year or to extend the duration of the approved levy."

3

4 **Section 6.** Section 20-9-168, MCA, is amended to read:

5 **"20-9-168. Emergency budget amendment tax levy.** (1) When a budget amendment has been
6 adopted by the board of trustees under 20-9-161(2) and a district does not have sufficient funds, including
7 insurance proceeds and reserves, to finance the budget amendment, the district may levy a tax in the ensuing
8 school year to fund the expenditures authorized by the budget amendment. The amount levied may not exceed
9 the unfunded amount of the budget amendment.

10 (2) Except as provided in subsection (3), a budget amendment provided for in this section
11 terminates after the emergency has passed.

12 (3) A budget amendment adopted under this section may not remain in effect 2 years after its
13 adoption except upon a vote of the qualified electors. The election must be held in conjunction with a primary or
14 general election and requires 60% approval."

15

16 **Section 7.** Section 20-15-326, MCA, is amended to read:

17 **"20-15-326. Determination of available financing -- fixing and levying property taxation for**
18 **emergency budget.** (1) After the last day of the fiscal year for which an emergency budget has been adopted,
19 the board of trustees shall determine the amount of the cash balance that is available to finance the emergency
20 budget's outstanding warrants or registered warrants for each fund included on the emergency budget. The
21 available amount of the cash balance of each fund must be determined by deducting from the county
22 treasurer's yearend cash balance for the fund the outstanding warrants or registered warrants issued under the
23 regularly adopted final budget for the fund and the cash reserve for the fund that the trustees have established,
24 within the limitations of law, for the following fiscal year.

25 (2) The county treasurer shall prepare and deliver a statement on the financial cash status of each
26 fund included on an emergency budget for a district that had an emergency budget during the preceding year to
27 the board of county commissioners by the first Monday in August. The statement for each district emergency
28 budget must include:

1 (a) the total amount of emergency warrants that are registered against each fund of the district;
2 and

3 (b) the additional amount of money that is required to finance the registered warrants and interest
4 on the warrants and that must be raised by a tax levy.

5 (3) For each fund of the emergency budget of each district requiring a tax levy as established by
6 subsection (2)(b), the board of county commissioners shall at the time all other district and county taxes are
7 fixed and levied, levy a tax on the taxable value of all taxable property of each applicable district that will raise
8 sufficient financing to pay the amount established by the county treasurer.

9 (4) Except as provided in subsection (5), a levy provided for in this section terminates after the
10 emergency has passed.

11 (5) A levy under this section may not remain in effect 2 years after its adoption except upon a vote
12 of the qualified electors. The election must be held in conjunction with a primary or general election and
13 requires 60% approval.

14 (6) Excess funds levied for an emergency must be subtracted in the next year from the maximum
15 amount that may be levied under 15-10-420."

16
17 **NEW SECTION. Section 8. Effective date.** [This act] is effective on passage and approval.

18
19 **NEW SECTION. Section 9. Codification instruction.** [Section 1] is intended to be codified as an
20 integral part of Title 7, chapter 6, part 40, and the provisions of Title 7, chapter 6, part 40, apply to [section 1].

21
22 **NEW SECTION. Section 10. Applicability.** [This act] applies to mill levies for budgets adopted on or
23 after [the effective date of this act].

24 - END -